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# California Department of Transportation District 4

Transportation Fund for Clean Air  
Program Regional Fund – 05R40

*Retrofit Diesel Trucks for Emission Control Devices*

*Independent Auditors' Reports and Schedule  
of Expenditures of Projects*

*For the Project Period ended June 30, 2006*

California Department of Transportation District 4  
Transportation Fund For Clean Air Program Regional Fund – 05R40

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## INDEPENDENT AUDITORS' REPORT

Management of California Department  
of Transportation District 4  
Sacramento, California

Board of Directors  
of the Bay Area Air Quality Management District  
San Francisco, California

We have audited the accompanying Schedule of Expenditures of Projects (Schedule) of the California Department of Transportation (Caltrans) Transportation Fund for Clean Air Program - 05R40 (TFCA) for the project period ended June 30, 2006. This Schedule is the responsibility of the Caltrans' management. Our responsibility is to express an opinion on this Schedule based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Caltrans' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Schedule was prepared to present the total expenditures of the Caltrans' TFCA funding as described in Note 1 and is not intended to be a complete presentation of the Caltrans' financial position or changes in financial position.

In our opinion, the Schedule referred to in the first paragraph presents fairly, in all material respects, the expenditures of projects of the Caltrans' TFCA Program for the project period ended June 30, 2006 in conformity with generally accepted accounting principles in the United States of America.

Toll Free Ph: (877) 862-2200

Toll Free Fax: (866) 436-0927

**Oakland**  
180 Grand Ave., Suite 1365  
Oakland, California 94612

**Orange County**  
9 Corporate Park, Suite 100  
Irvine, California 92606

**Sacramento**  
777 Campus Commons Rd., Suite 200  
Sacramento, California 95825

**San Diego**  
4858 Mercury, Suite 106  
San Diego, California 92111

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In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2008 on our consideration of the Caltrans' internal control over financial reporting pertaining to the Caltrans' TFCA Program and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

This report is intended for the information and use of the Caltrans Management and Management of the Bay Area Air Quality Management District and is not intended to be and should not be used by anyone other than these specified parties.

*Capricci & Carson*

Oakland, California  
January 7, 2008

California Department of Transportation District 4  
 Transportation Fund For Clean Air Program Regional Fund - 05R40  
 Schedule of Expenditures of Projects  
 For the Project Period ended June 30, 2006

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Sponsor/Project Description	TFCA Project Number	Original TFCA Project Allocation	Expenditures through 6/30/06	Remaining Balance
California Department of Transportation District 4				
Retrofit Diesel Trucks				
For Emission Control Devices	05R40	\$ 911,070	\$ -	\$ 911,070

The accompanying notes are an integral part of this financial schedule.

California Department of Transportation District 4  
Transportation Fund For Clean Air Program Regional Fund – 05R40  
Notes to the Schedule of Expenditures of Projects  
For the Project Period ended June 30, 2006

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## 1. PROGRAM DESCRIPTION

Health and Safety Code Sections 44223 and 44225 authorize a surcharge on the motor vehicle registration fee (surcharge) to be used by the Bay Area Air Quality Management District (Air District) and local governments specifically for programs to reduce air pollution from motor vehicles. The Department of Motor Vehicles collects the surcharge and allocates the amounts to the Air District. The Air District administers these funds through the Transportation Fund for Clean Air (TFCA) Program. Under the TFCA Program, money is allocated to two funds: (1) 60% is placed in the Regional Fund and allocated to agencies on a competitive basis by the Air District and (2) 40% is placed in the Program Managers Fund and allocated to designated agencies. Allowable projects under Health and Safety Code Section 44241 include the following:

- Ridesharing program
- Purchase or lease of clean fuel school and transit buses
- Feeder or shuttle bus service to rail and ferry stations and airports
- Arterial traffic management
- Demonstrations in congestion pricing of highways, bridges and public transit
- Rail bus integration and regional transit information systems
- Low emission vehicle projects
- Bicycle facility improvement projects
- Physical improvements that support "Smart Growth" projects

### Relationship to the State of California's Comprehensive Annual Financial Report

The accompanying Schedule of Expenditures of Projects (Schedule) represents only the TFCA Regional Funds allocated to the State of California, Department of Transportation for certain projects and is not intended to present fairly the financial position and changes in financial position of the State in conformity with generally accepted accounting principles in the United States of America.

## 2. PROJECTS

The projects in the Schedule are projects that were either completed or ongoing as of June 30, 2006. The Air District considers a project to be completed when the Air District accepts the final report from the project sponsor. All projects may have started several years earlier.

## 3. BASIS OF ACCOUNTING

The TFCA funds are accounted for on a spending or current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting, expenditures are recorded in the accounting period in which the liability is incurred. Expenditures as noted in the Schedule represent only the amount funded by the Air District. Expenditures of matching and other funding sources are not included on the Schedule.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE  
SCHEDULE OF EXPENDITURES OF PROJECTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS AND REQUIREMENTS OF  
SECTION 44241 OF THE CALIFORNIA HEALTH AND SAFETY CODE

Management of California Department  
of Transportation District 4  
Sacramento, California

Board of Directors  
of the Bay Area Air Quality Management District  
San Francisco, California

We have audited the Schedule of Expenditures of Projects (Schedule) of the California Department of Transportation (Caltrans) Transportation Fund for Clean Air - 05R40 (TFCA) Program for the project period ended June 30, 2006, and have issued our report thereon dated January 7, 2008. We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Caltrans' internal control over financial reporting of the TFCA Program Schedule as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Caltrans' internal control over financial reporting of the TFCA Program Schedule. Accordingly, we do not express an opinion on the effectiveness of the Caltrans' internal control over financial reporting of the TFCA Program.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Toll Free Ph: (877) 862-2200

Toll Free Fax: (866) 436-0927

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Oakland, California 94612

**Orange County**  
9 Corporate Park, Suite 100  
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**Sacramento**  
777 Campus Commons Rd., Suite 200  
Sacramento, California 95825

**San Diego**  
4858 Mercury, Suite 106  
San Diego, California 92111

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Our consideration of internal control over financial reporting of the TFCA Program was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

#### Compliance

As part of obtaining reasonable assurance about whether the TFCA Program Schedule is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, including Section 44241 of the California Health and Safety Code, noncompliance with which could have a direct and material effect on the determination of Schedule amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit of the TFCA Program Schedule and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of the State Controller's Office, Caltrans Management, and Management of the Bay Area Air Quality Management District and is not intended to be and should not be used by anyone other than these specified parties.

*Capricci & Carson*

Oakland, California  
January 7, 2008